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**Washington, DC 20515**

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June 19, 2015

The Honorable Neil Kornze  
Director  
Bureau of Land Management  
1849 C St., NW  
Washington, DC 20240

Attn: 1004-AE41

Dear Director Kornze,

Ensuring a fair return to the American taxpayer for the extraction of their resources from public lands is one of the most critical stewardship tasks of the Bureau of Land Management (BLM). We are extremely pleased that the BLM has taken the first step toward updating the outdated and inadequate onshore oil and gas fiscal system through the publication of the Advance Notice of Proposed Rulemaking (ANPR) on April 21, 2015, and request that this letter be included as an official comment to that ANPR.

We strongly believe that minimum oil and gas royalty rates should be increased from 12.5 percent to 18.75 percent, the same rate for offshore leases, and the regulations should provide flexibility for higher royalty rates to be charged on individual lease sales without having to go through a full regulatory process, as is the case with offshore leases. In addition, we believe that even with a minimum royalty rate of 18.75 percent, other royalty-rate structures such as sliding scales based on oil and gas prices, or differences based on regional market conditions, are worth consideration.

Rental rates and minimum acceptable bids are also currently far too low, and should be increased at least enough to reflect inflation since the current rates were established in 1987. The proposed rule should also allow for flexibility in setting the minimum acceptable bid and rental rates for individual lease sales, to allow those terms to properly reflect market conditions for the time and location the lease sale will be occurring. As our experience over the past thirty years has shown, forcing regulation to be inflexible unnecessarily ties BLM's hands, and ultimately leads to a loss of revenue to the American taxpayers. Congress specifically provided the Department of the Interior with a great deal of flexibility in the Mineral Leasing Act to set fiscal terms, and any regulation that removes that flexibility effectively rewrites that statute.

In general, we are concerned that the current leasing process is excessively generous to oil and gas companies. Expressions of interest are not accompanied by any filing or cost-recovery fee, yet result in a significant amount of work on the part of BLM, meaning that taxpayers are subsidizing work being done on behalf of the oil and gas industry. When nominated parcels receive a low bonus bid, or no bonus bid at all, taxpayers are being shortchanged for that effort. Rental rates for leases should be at least set at a level that would ensure that BLM recoups the cost required to prepare the parcel for the lease sale, and rental rates for noncompetitive leases should be higher than competitive leases to reflect the lack of a bonus bid.

We are also pleased that the scope of the ANPR is not limited to royalty and rental rates. Current bonding and civil penalty levels provide inadequate safeguards for the environment, for worker safety, and for American taxpayers. Bonding levels in particular, which have not been updated since the Eisenhower Administration, are woefully insufficient, and put taxpayers at a significant and ongoing risk of having to clean up improperly abandoned wells. Bonding levels should reflect current worst-case reclamation costs, and while those levels should automatically track with inflation, they should be periodically reviewed to determine if average reclamation costs are outpacing inflation.

We appreciate your efforts in ensuring that the American people receive a fair return for the development of their public resources, and we urge you to expeditiously publish a proposed rule to update the onshore oil and gas fiscal system, increase bonding levels, and increase civil penalties.

Sincerely,



Raúl M. Grijalva  
Ranking Member  
House Committee on Natural Resources



Alan S. Lowenthal  
Ranking Member  
Subcommittee on Energy and  
Mineral Resources